

0845 Department of Insurance

The Insurance Commissioner regulates the largest insurance market in the United States, and the fourth largest insurance market in the World, with more than \$124 billion in direct premiums; enforces the California Insurance Code; and oversees the Department of Insurance.

The Department of Insurance conducts examinations and investigations of insurance companies and producers and works to ensure the financial solvency of companies so that they will meet their obligations to policyholders and claimants.

The Department of Insurance investigates more than 300,000 complaints annually and responds to consumer inquiries. The department reviews and approves insurance rates to enforce the requirement of California law that rates are not excessive or unfair. The department also administers the conservation and liquidation of insolvent and delinquent insurance companies and fights insurance fraud in conjunction with local and state law enforcement agencies.

3-YR EXPENDITURES AND PERSONNEL YEARS (Summary of Program Requirements)

	Personnel Years			Expenditures		
	2008-09	2009-10	2010-11	2008-09*	2009-10*	2010-11*
10 Regulation of Insurance Companies and Insurance Producers	394.4	390.5	392.3	\$68,050	\$65,005	\$66,549
12 Consumer Protection	295.2	291.6	293.5	51,635	46,327	47,926
20 Fraud Control	271.3	276.7	276.7	94,830	98,030	89,067
30 General Fund Tax Collection and Audits	13.7	14.3	14.3	1,889	1,708	1,833
50.01 Administration	205.5	227.0	227.1	29,928	27,469	30,529
50.02 Distributed Administration	-	-	-	-29,928	-27,469	-30,529
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,180.1	1,200.1	1,203.9	\$216,404	\$211,070	\$205,375
FUNDING				2008-09*	2009-10*	2010-11*
0217 Insurance Fund				\$216,404	\$210,820	\$205,125
0995 Reimbursements				-	250	250
TOTALS, EXPENDITURES, ALL FUNDS				\$216,404	\$211,070	\$205,375

LEGAL CITATIONS AND AUTHORITY

PROGRAM AUTHORITY

10-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-16030, except as noted below.

12-Consumer Protection:

Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 5.1, 6, 6.3, and 6.5, Chapter 5, Article 12, Sections 1872.81, 10127.17, 12921.1-12921.5, 12928, and 12930.

20-Fraud Control:

Insurance Code, Division 1, Part 2, Chapter 12 (except Section 1872.81 cited above).

30-General Fund Tax Collection and Audit:

Insurance Code, Sections 1774-1780; and Revenue and Taxation Code, Part 7 of Division 2.

50-Administration:

Chapter 722, Statutes of 1982.

DETAILED BUDGET ADJUSTMENTS

	2009-10*			2010-11*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
Workload Budget Adjustments						
Workload Budget Change Proposals						
• Paperless Workflow System Project	\$-	\$-	-	\$-	\$2,390	1.9

* Dollars in thousands, except in Salary Range.

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	2009-10*			2010-11*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
• Telecommunications Infrastructure Replacement Project	-	-	-	-	429	2.8
• Life Settlements (SB 98)	-	-	-	-	405	2.8
• Mortgage Guarantee Insurers (SB 291)	-	-	-	-	106	0.9
Totals, Workload Budget Change Proposals	\$-	\$-	-	\$-	\$3,330	8.4
Other Workload Budget Adjustments						
• Employee Compensation Adjustments	\$-	-\$5,142	-	\$-	-\$23	-
• Retirement Rate Adjustment	-	141	-	-	141	-
• Limited Term Positions/Expiring Programs	-	-	-	-	-357	-2.7
• One Time Cost Reductions	-	-	-	-	-12,736	-
• Miscellaneous Adjustments	-	-	-22.8	-	-1,051	-24.7
Totals, Other Workload Budget Adjustments	\$-	-\$5,001	-22.8	\$-	-\$14,026	-27.4
Totals, Workload Budget Adjustments	\$-	-\$5,001	-22.8	\$-	-\$10,696	-19.0
Totals, Budget Adjustments	\$-	-\$5,001	-22.8	\$-	-\$10,696	-19.0

PROGRAM DESCRIPTIONS (Program Objectives Statement)

10 - REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS

The objectives of this program are: (1) to prevent losses to policyholders, beneficiaries or the public due to the insolvency of insurers; (2) to prevent unlawful or unfair practices by insurers as defined by the Insurance Code; (3) to ensure that insurance rates are not excessive, inadequate, unfairly discriminatory, or otherwise in violation of the Insurance Code; and (4) to ensure that applicants for insurance licenses, and holders of insurance licenses, satisfy and maintain the qualifications for licensure.

12 - CONSUMER PROTECTION

The objective of this program is to provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating or underwriting by insurers. The objectives also include protecting applicants and policyholders from discriminatory, unlawful or fraudulent practices or incompetence relating to the sale of insurance.

20 - FRAUD CONTROL

The objective of this program is to protect the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud and to reduce the overall incidence of insurance fraud through anti-fraud outreach to the public, private and governmental sectors. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.

30 - GENERAL FUND TAX COLLECTION AND AUDIT

This General Fund tax collection program performs tax collection, accounting, and tax audits of insurance companies and surplus line brokers. The program staff audits insurers' tax returns to determine compliance with the laws contained in both the California Insurance and Revenue and Taxation Codes and assists the Board of Equalization and the State Controller's Office with various refund, assessment, and accounting matters relative to the premium taxpayers. Tax collections from this program are deposited in the State General Fund.

50 - ADMINISTRATION

This program provides the overall policy direction for the Department, as well as all administrative functions including legal, human resources, financial management, information technology, personnel, budget, legislative, and business services.

DETAILED EXPENDITURES BY PROGRAM (Program Budget Detail)

		2008-09*	2009-10*	2010-11*
PROGRAM REQUIREMENTS				
10	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
	State Operations:			
0217	Insurance Fund	\$68,050	\$64,755	\$66,299

* Dollars in thousands, except in Salary Range.

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	<u>2008-09*</u>	<u>2009-10*</u>	<u>2010-11*</u>
0995 Reimbursements	-	250	250
Totals, State Operations	\$68,050	\$65,005	\$66,549
ELEMENT REQUIREMENTS			
10.30 Rate Regulation	\$19,807	\$18,079	\$18,418
State Operations:			
0217 Insurance Fund	19,807	17,829	18,168
0995 Reimbursements	-	250	250
10.40 Regulatory	\$19,093	\$22,668	\$23,332
State Operations:			
0217 Insurance Fund	19,093	22,668	23,332
10.51 Licensing	\$22,990	\$18,342	\$18,881
State Operations:			
0217 Insurance Fund	22,990	18,342	18,881
10.70 Special Programs	\$6,160	\$5,916	\$5,918
State Operations:			
0217 Insurance Fund	6,160	5,916	5,918
PROGRAM REQUIREMENTS			
12 CONSUMER PROTECTION			
State Operations:			
0217 Insurance Fund	\$50,742	\$44,827	\$46,426
Totals, State Operations	\$50,742	\$44,827	\$46,426
Local Assistance:			
0217 Insurance Fund	\$893	\$1,500	\$1,500
Totals, Local Assistance	\$893	\$1,500	\$1,500
ELEMENT REQUIREMENTS			
12.10 Legal Compliance	\$8,001	\$8,968	\$9,415
State Operations:			
0217 Insurance Fund	8,001	8,968	9,415
12.20 Investigations	\$15,134	\$13,799	\$14,035
State Operations:			
0217 Insurance Fund	14,241	12,299	12,535
Local Assistance:			
0217 Insurance Fund	893	1,500	1,500
12.30 Consumer Services and Market Conduct	\$28,500	\$23,560	\$24,476
State Operations:			
0217 Insurance Fund	28,500	23,560	24,476
PROGRAM REQUIREMENTS			
20 FRAUD CONTROL			
State Operations:			
0217 Insurance Fund	\$45,437	\$40,489	\$41,736
Totals, State Operations	\$45,437	\$40,489	\$41,736
Local Assistance:			
0217 Insurance Fund	\$49,393	\$57,541	\$47,331
Totals, Local Assistance	\$49,393	\$57,541	\$47,331
ELEMENT REQUIREMENTS			
20.10 Fraud - Auto	\$38,602	\$44,770	\$35,154
State Operations:			
0217 Insurance Fund	19,766	19,169	19,763
Local Assistance:			

* Dollars in thousands, except in Salary Range.

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	2008-09*	2009-10*	2010-11*
0217 Insurance Fund	18,836	25,601	15,391
20.20 Fraud - Workers' Compensation	\$49,113	\$47,781	\$48,317
State Operations:			
0217 Insurance Fund	20,268	17,553	18,089
Local Assistance:			
0217 Insurance Fund	28,845	30,228	30,228
20.30 Fraud - General Assessment	\$3,193	\$2,122	\$2,188
State Operations:			
0217 Insurance Fund	3,193	2,122	2,188
20.40 Fraud - Disability and Healthcare	\$3,922	\$3,357	\$3,408
State Operations:			
0217 Insurance Fund	2,210	1,645	1,696
Local Assistance:			
0217 Insurance Fund	1,712	1,712	1,712
PROGRAM REQUIREMENTS			
30 GENERAL FUND TAX COLLECTION AND AUDITS			
State Operations:			
0217 Insurance Fund	1,889	1,708	1,833
Totals, State Operations	\$1,889	\$1,708	\$1,833
TOTALS, EXPENDITURES			
State Operations	166,118	152,029	156,544
Local Assistance	50,286	59,041	48,831
Totals, Expenditures	\$216,404	\$211,070	\$205,375

EXPENDITURES BY CATEGORY (Summary By Object)

	1 State Operations			Expenditures		
	Positions/Personnel Years			2008-09*	2009-10*	2010-11*
	2008-09	2009-10	2010-11			
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,180.1	1,287.3	1,284.3	\$81,566	\$87,779	\$88,765
Total Adjustments	-	-24.0	-17.0	-	-1,300	-819
Estimated Salary Savings	-	-63.2	-63.4	-	-4,324	-4,397
Net Totals, Salaries and Wages	1,180.1	1,200.1	1,203.9	\$81,566	\$82,155	\$83,549
Staff Benefits	-	-	-	28,947	27,395	24,879
Totals, Personal Services	1,180.1	1,200.1	1,203.9	\$110,513	\$109,550	\$108,428
OPERATING EXPENSES AND EQUIPMENT				\$55,605	\$42,479	\$48,116
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$166,118	\$152,029	\$156,544

2 Local Assistance

	Expenditures		
	2008-09*	2009-10*	2010-11*
Counties-District Attorneys	\$50,286	\$59,041	\$48,831
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$50,286	\$59,041	\$48,831

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

* Dollars in thousands, except in Salary Range.

0845 Department of Insurance - Continued

1 STATE OPERATIONS	2008-09*	2009-10*	2010-11*
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$175,507	\$156,780	\$156,294
Allocation for employee compensation	176	-	-
Adjustment per Section 3.60	17	141	-
Reduction per Section 3.90	-2,477	-4,917	-
Adjustment per Section 3.55	-	-225	-
Totals Available	\$173,223	\$151,779	\$156,294
Unexpended balance, estimated savings	-7,105	-	-
TOTALS, EXPENDITURES	\$166,118	\$151,779	\$156,294
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	-	\$250	\$250
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$166,118	\$152,029	\$156,544
2 LOCAL ASSISTANCE	2008-09*	2009-10*	2010-11*
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	\$51,148	\$59,041	\$48,831
Totals Available	\$51,148	\$59,041	\$48,831
Unexpended balance, estimated savings	-862	-	-
TOTALS, EXPENDITURES	\$50,286	\$59,041	\$48,831
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$50,286	\$59,041	\$48,831
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$216,404	\$211,070	\$205,375

FUND CONDITION STATEMENTS

	2008-09*	2009-10*	2010-11*
0217 Insurance Fund ^s			
BEGINNING BALANCE	\$54,088	\$57,654	\$54,538
Prior year adjustments	5,298	-	-
Adjusted Beginning Balance	\$59,386	\$57,654	\$54,538
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	36,764	34,234	35,217
123200 Insurance Company Examination Fees	21,739	22,345	22,345
127100 Insurance Department Fees, Prop 103	26,421	23,800	23,800
127200 Insurance Department Fees, General	23,165	23,635	25,772
127300 Insurance Fraud Assessment, Workers Comp	48,826	50,303	47,062
127400 Insurance Fraud Assessment, Auto	46,434	46,435	46,900
127500 Insurance Fraud Assessment, General	9,564	5,800	5,832
141200 Sales of Documents	96	96	96
142500 Miscellaneous Services to the Public	18	18	18
150300 Income From Surplus Money Investments	1,070	370	370
161000 Escheat of Unclaimed Checks & Warrants	21	21	21
161400 Miscellaneous Revenue	92	92	92
161900 Other Revenue - Cost Recoveries	1,800	1,790	1,790
Total Revenues, Transfers, and Other Adjustments	<u>\$216,010</u>	<u>\$208,939</u>	<u>\$209,315</u>
Total Resources	\$275,396	\$266,593	\$263,853
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			

* Dollars in thousands, except in Salary Range.

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	2008-09*	2009-10*	2010-11*
Expenditures:			
0840 State Controller (State Operations)	75	143	352
0845 Department of Insurance			
State Operations	166,118	151,779	156,294
Local Assistance	50,286	59,041	48,831
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	1,263	1,092	1,144
8880 Financial Information System for California (State Operations)	-	-	106
Total Expenditures and Expenditure Adjustments	<u>\$217,742</u>	<u>\$212,055</u>	<u>\$206,727</u>
FUND BALANCE	\$57,654	\$54,538	\$57,126
Reserve for economic uncertainties	57,654	54,538	57,126
0285 California Residential Earthquake Recovery Fund ^s			
BEGINNING BALANCE	\$179	-	-
Prior year adjustments	<u>-1</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	\$178	-	-
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Transfers and Other Adjustments:			
TO0001 To General Fund per Government Code Section 16346	<u>-178</u>	<u>-</u>	<u>-</u>
Total Revenues, Transfers, and Other Adjustments	<u>-\$178</u>	<u>-</u>	<u>-</u>
Total Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE	-	-	-

CHANGES IN AUTHORIZED POSITIONS

	Positions/Personnel Years			Expenditures		
	2008-09	2009-10	2010-11	2008-09*	2009-10*	2010-11*
Totals, Authorized Positions	1,180.1	1,287.3	1,284.3	\$81,566	\$87,779	\$88,765
Workload and Administrative Adjustments:				Salary Range		
Reductions in Authorized Positions:						
Community Relations Branch:						
Senior Insurance Compliance Officer-Spec	-	-2.0	-2.0	5,113-6,170	-122	-122
Associate Insurance Compliance Officer	-	-4.0	-4.0	4,619-5,616	-220	-220
Staff Services Analyst	-	-1.0	-1.0	2,817-4,446	-34	-34
Office Technician-Typing	-	-1.0	-1.0	2,686-3,264	-32	-32
Admin. and Licensing Services Branch:						
Senior Programmer Analyst-Spec	-	-	-1.0	5,571-7,109	-	-82
Staff Programmer Analyst-Spec	-	-	-1.0	5,065-6,466	-	-73
Staff Services Analyst	-	-1.0	-1.0	2,817-4,446	-35	-35
Office Technician-General	-	-1.0	-1.0	2,638-3,209	-35	-35
Program Technician II	-	-1.0	-1.0	2,638-3,209	-35	-35
Financial Surveillance Branch:						
Senior Actuarial Statistician	-	-1.0	-1.0	4,833-6,451	-68	-68
Associate Insurance Examiner	-	-1.0	-1.0	4,619-6,774	-68	-68
Insurance Examiner	-	-1.0	-1.0	3,106-5,616	-52	-52
Program Technician II	-	-2.0	-2.0	2,638-3,209	-70	-70
Enforcement Branch:						
Staff Services Manager I	-	-1.0	-1.0	5,079-6,127	-67	-67
Fraud Investigator	-	-2.0	-2.0	3,902-6,194	-122	-122
Office Technician-Typing	-	-1.0	-1.0	2,686-3,264	-36	-36
Legal Branch:						
Staff Counsel III	-	-1.0	-1.0	7,682-9,478	-103	-103

* Dollars in thousands, except in Salary Range.

0845 Department of Insurance - Continued

	<u>Positions/Personnel Years</u>			<u>Expenditures</u>		
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2008-09*</u>	<u>2009-10*</u>	<u>2010-11*</u>
Staff Counsel	-	-2.0	-2.0	4,674-7,828	-150	-150
Legal Analyst	-	-1.0	-1.0	3,841-4,670	-51	-51
Totals, Workload & Admin Adjustments	-	-24.0	-26.0	\$-	-\$1,300	-\$1,455
Proposed New Positions:						
Legal Branch:						
Staff Counsel	-	-	3.0	4,674-7,828	-	225
Policy and Regulations Branch:						
Research Analyst II	-	-	1.0	4,619-5,616	-	61
Admin. and Licensing Services Branch:						
Senior Programmer Analyst-Spec (1.0 LT pos exp 6-30-12)	-	-	1.0	5,571-7,109	-	82
Staff Programmer Analyst-Spec (1.0 LT pos exp 6-30-12)	-	-	1.0	5,065-6,466	-	73
Staff Info Systems Analyst-Spec	-	-	1.0	5,065-6,466	-	69
Assoc Info Systems Analyst-Spec	-	-	2.0	4,619-5,897	-	126
Totals Proposed New Positions	-	-	9.0	\$-	\$-	\$636
Total Adjustments	-	-24.0	-17.0	\$-	-\$1,300	-\$819
TOTALS, SALARIES AND WAGES	1,180.1	1,263.3	1,267.3	\$81,566	\$86,479	\$87,946

* Dollars in thousands, except in Salary Range.